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SOURCE Wen-hui Pao.SHAN-T'OU MCC ISSUES PRIVATE BANK REGULATIONS

The following temporary regulations have been promulgated by the Shan-t'ou
(Swatow) Military Control Commission:

Article 1. These regulations are put into effect to stabilize currency,
stimulate production, and preserve public confidence.

Article 2. These regulations apply to private, commercial, and local
banks, exchange shops.

Article 3. The Military Control Commission has empowered the People's
Bank of China to act as the agency of inspection and supervision over all other
banking firms in the city.

Article 4. Private banking establishments are limited to the following
transactions:

- a. Receiving deposits of all kinds.
- b. Handling loans and checking accounts.
- c. Handling domestic bills of exchange.
- d. Operating through the People's Bank of China for approval on foreign
bills of exchange.
- e. Cashing checks.
- f. Acting as agents in making collections.
- g. Investing in industry and mining.
- h. Operating a safe-deposit service.

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With the exception of the cooperatives, which shall be governed by their own statutes, these regulations apply to all businesses performing any of the above eight services whether or not they allude to themselves as banks, exchange shops, etc.

Article 5. With the exception of banking firms, other companies and business firms must refrain from receiving deposits, issuing letters of credit, discounting, etc. Disregard of these regulations will lead not only to the cessation of their business but also prosecution for disrupting the monetary system.

Article 6. In the management of their finances, banking firms must not act in the following capacities:

- a. As public or private business firms or as stock holders in any other banking firm (investments in industry or mining excluded).
- b. Buying or accepting their own shares of stock.
- c. Purchasing property that is not necessary for conducting business.
- d. Acting as a business broker or operating a warehouse for business purposes.
- e. Setting up double accounts or keeping unreliable records.
- f. Receiving for deposit the funds of any military or government agency or enterprise.
- g. Dealing in gold or foreign currency in business transactions, loans, or mortgages.
- h. Representing others in order to protect their property.
- i. Any other activity not yet given approval.

Article 7. All persons desiring to operate a banking firm must first draw up a charter and present it to this commission for approval and registration prior to beginning operations. The following information must be supplied:

- a. Name
- b. Organization and address
- c. Amount of capital
- d. General plan of operation and jurisdiction
- e. Limited or unlimited liabilities
- f. Founders' or managers' names, place of birth, and brief history

After the commencement of operations, names of stockholders and brief biographies of members of the board of directors must be submitted.

Article 8. A minimum capital fund estimated in terms of People's Bank of China notes must be maintained by

- a. Each regular bank -- from 120 million to 50 million yuan.

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b. Native banks and money changers -- 7,500,000 to 15 million yuan.

c. Emigrants banks -- from 3 million to 6 million yuan.

Article 9. Ready money or assets authorized by the city branch of the People's Bank of China must constitute at least 70 percent of a banking firm's total capital. The maximum amount of its fixed assets shall be 30 percent of its capital.

Article 10. Every banking firm established under these regulations must show a sufficient amount of initial capital of which 75 percent must be on hand. If this stipulation is satisfied, a license will be issued by the municipality to begin operations. If the available funds are insufficient at the time of application, a 2 month temporary license may be granted.

Article 11. Any banking firm that has been in operation prior to the publication of these regulations, but whose capital is insufficient, will likewise be granted a 2-month probational license.

Article 12. Stocks must be purchased under one's legal name. It is not permitted to use nicknames or courtesy names.

Article 13. At the time of beginning operations, banking firms shall list items from their financial statement on the permit issued by the municipal committee and post this permit in a public place.

Article 14. Each bank must put its capital to use in a manner that is advantageous to the national economy and the livelihood of the masses.

Article 15. The amount of each banking firm's credit may not exceed half of its capital.

Article 16. Each member bank will transmit to the Shan-t'ou branch of the People's Bank of China a portion of its deposits according to the ratio of 10 percent for the fixed period deposits and 5 percent for the current accounts. This money will be used to establish a deposit security fund. The People's Bank of China will in turn calculate and pay to the participating banks interest on the money thus transmitted.

Article 17. Each bank must assign a certain portion of its assets to ready payments on the basis of 10 percent for current accounts and 5 percent for fixed period accounts.

Article 18. Based on a consideration of prevailing market conditions in Shan-t'ou, the banking association will determine, with the approval of the Shan-t'ou branch of the People's Bank of China, the rate of interest to be paid depositors.

Article 19. Banks endorsing personal checks shall assume responsibility for them. For kiting checks, the facts of the case shall be submitted to the local branch of the People's Bank of China for decision and disposition.

Article 20. If a bank already established and possessing a permit wishes to discontinue operations, eliminate some of its branches or departments, change its name, or combine its activities under one name, etc., it must petition the Commission for amendment of its permit. Upon approval, it may proceed.

Article 21. Banks which are unable to meet their obligations, or banks which are required to cease stock transactions due to infraction of regulations, are to be allotted a limited time to liquidate by the Commission. In the event

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of bankruptcy, or because of circumstances in which operations cannot be continued, the involved bank must set forth in a report to the Commission all circumstances surrounding the difficulty. Only upon approval of the Commission may operations be discontinued.

Article 22. At fixed periods each bank must submit a report to the Shan-t'ou branch of the People's Bank of China indicating:

- a. Each type of deposit and a weekly record of same.
- b. A complete record of each month's transactions and every item of their budget and funds.

Article 23. If there be any violation of these regulations the guilty bank will be dealt with in the following manner:

- 1st offense: The bank shall receive a warning.
- 2d offense: The bank shall receive a fine.
- 3d offense: The bank shall be required to change its top officers.
- 4th offense: The bank shall be required to cease stock exchange activities.
- 5th offense: The bank shall be forced to discontinue business.

If the infraction comes under the heading of a criminal case, it will be turned over to the judicial organs for action. The first four infractions can be referred to the People's Bank for adjustment and a record of their action forwarded to the Shan-t'ou Military Control Commission. The fifth offense shall be dealt with by the Commission directly.

Foreign commercial banks, savings banks, and trust companies shall be governed by separate regulations, but until these regulations are published the above shall serve as a guide. All private banks which have trust and saving departments must submit a petition for approval.

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